

Message Text

LIMITED OFFICIAL USE

PAGE 01 BUCAR 05832 01 OF 02 241238Z

66

ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 EB-07 FRB-01 INR-05

NSAE-00 RSC-01 TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01

LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-01 CEA-01 AGR-05

/073 W

----- 022586

R 240805Z DEC 74

FM AMEMBASSY BUCHAREST

TO SECSTATE WASHDC 1257

INFO USDOC

AMEMBASSY BELGRADE

AMEMBASSY BERLIN

AMEMBASSY BUDWMEST

AMEMBASSY MOSCOW

AMCONSUL MUNICH

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY VIENNA

AMEMBASSY WARSAW

LIMITED OFFICIAL USE SECTION 1 OF 2 BUCHAREST 5832

E.O. 11652: N/A

TAGS: ECON, EFIN, RO

SUBJ: ROMANIAN 1975 ECONOMIC PLAN AND BUDGET

VIENNA FOR EWTC

1. SUMMARY: AMID YEAR-END FLURRY OF ECONOMIC ACTIVITY, GRAND NATIONAL ASSEMBLY PASSED 1975 ECONOMIC PLAN AND BUDGET. INDUSTRY CONTINUES TO HOLD CENTER STAGE, DRAWING LION'S SHARE OF DEVELOPMENT BUDGET. INDUSTRIAL PRODUCTION IS TO GROW 15 PERCENT NEXT YEAR. FUNDS FOR AGRICULTURE, HOWEVER, ECONOMY'S MAJOR SOFT SPOT, ARE UP 40 PERCENT OVER 1974 LEVEL, WITH INCREASE EARMARKED MOSTLY FOR WATER CONTROL AND SOIL RECLAMATION.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BUCAR 05832 01 OF 02 241238Z

NO CONCESSIONS TO CONSUMER DESIRES OR "NON-PRODUCTIVE" SECTORS

ARE EVIDENT IN PLAN. SOME SIGNS OF STRAIN APPEAR AS ECONOMIC LEADERSHIP, REDOUBLING EFFORTS TO CLOSE OUT FIVE YEAR PLAN SUCCESSFULLY, ENCOUNTERS GROWING DIFFICULTY IN ORCHESTRATING COMPLEX ECONOMY. END SUMMARY

2. IN SESSION OF DECEMBER 19, GRAND NATIONAL ASSEMBLY APPROVED 1975 ECONOMIC PLAN AND BUDGET. COMMITMENT TO RAPID INDUSTRIALIZATION AT CONSUMER'S EXPENSE REMAINS FIRM AND IS ACCOMPANIED BY ESCALATION OF RHETORIC CALLING FOR INCREASED PRODUCTIVITY, GREATER DISCIPLINE, TIGHTER QUALITY CONTROL AND REDUCED CONSUMPTION OF ENERGY AND RAW MATERIALS. "SEVERE REGIME OF ECONOMY" TO BE STRICTLY ENFORCED IN ALL SECTORS AS ROMANIA TIGHTENS BELT AND GOES INTO HIGH GEAR TO CLOSE OUT CURRENT FIVE YEAR PLAN. INDUSTRIAL PRODUCTION IS TO CLIMB BY 15 PERCENT OVER PRELIMINARY RESULTS FOR 1974, REACHING TOTAL IN RANGE BETWEEN 582 - 591 BILLION LEI. INDUSTRY, ESPECIALLY KEY SECTORS SUCH AS MACHINE BUILDING, ELECTRONICS, ELECTRICAL ENGINEERING, CHEMICALS AND PETROCHEMICALS, WILL CONTINUE TO DRAW LION'S SHARE (53.4 PERCENT) OF ECONOMIC DEVELOPMENT FUNDS. AGRICULTURAL INVESTMENT IN 1975, HOWEVER, WILL JUMP BY 40 PERCENT OVER PLANNED FIGURE FOR 1974. MOST OF NEW AGRICULTURAL FUNDS WILL APPARENTLY GO FOR AMBITIOUS PROGRAM OF IRRIGATION, DRAINAGE AND SOIL RECLAMATION; 519,000 HECTARES ARE TO BE IRRAGATED IN 1975, FOUR TIMES AS MUCH AS PLANNED FOR 1974. BOOSTING OF AGRICULTURAL SPENDING LEVEL WAS FORESHADOWED AT PARTY CONGRESS AND FOLLOWS ON HEELS OF TWO YEARS WITH DISAPPOINTING AGRICULTURAL PRODUCTION, ON TOP OF DISASTROUS 1970 FLOODS. DECISION UNDOUBTEDLY WAS INFLUENCED BY FACT THAT AGRICULTURAL EXPORTS WILL REMAIN VITAL HARD-CURRENCY EARNER FOR FORESEEABLE FUTURE AND BY NEED TO ASSURE FEED GRAINS FOR GROWING LIVESTOCK HERDS, WHICH ROMANIA HOPES TO EXPAND FURTHER BY MODEST AMOUNTS IN 1975. WHETHER NEW INVESTMENTS WILL HAVE EFFECT OF RAISING AGRICULTURAL PRODUCTION TO REQUIRED LEVEL OF PRESENT 5-YEAR PLAN IS THROWN INTO DOUBT, HOWEVER, BY FACT THAT ONLY MODEST INCREASE IN INPUT OF TRACTORS AND OTHER EQUIPMENT IS PLANNED, WHILE AMOUNT OF CHEMICAL FERTILIZER TO BE ALLOCATED TO DOMESTIC AGRICULTURE (AS WELL AS ROMANIA'S TOTAL FERTILIZER OUTPUT) WILL, SURPRISINGLY, BE LESS IN 1975 THAN PLANNED FOR 1974.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BUCAR 05832 01 OF 02 241238Z

3. PLANNED 1975 PRODUCTION LEVELS, WITH SOME EXCEPTIONS, GENERALLY REFLECT SUBSTANTIAL GROWTH RATES OVER TOTALS PROJECTED LAST YEAR FOR 1974 (ACTUAL 1974 PRODUCTION TOTALS ARE NOT AVAILABLE). ONLY 1.96 MILLION TONS OF CHEMICAL FERTILIZER ARE TO BE PRODUCED, AS COMPARED TO THE 1974 GOAL OF 1.98 MILLION TONS. ALUMINUM OUTPUT AND DIESEL AND ELECTRIC LOCOMOTIVES SHOW SLOW GROWTH. MORE SURPRISING IS LOWERING OF GOAL FOR SUGAR AND COOKING OIL OUTPUT, IN VIEW OF RECENT

CEAUSESCU PROMISE OF MORE ABUNDANT SUPPLIES AS ATTEMPT TO ASSUAGE CONCERN OVER CURRENT SHORTAGE. STEEL OUTPUT IS TO EXCEED 10 MILLION TONS, AND PRODUCTION OF COAL AND ELECTRICAL ENERGY IS TO RISE BY ABOUT 9 PERCENT. CRUDE OIL EXTRACTION IS TO INCREASE BY LESS THAN 2 PERCENT, IN KEEPING WITH ROMANIAN POLICY OF HUSBANDING RESERVES WHILE SEEKING NEW DEPOSITS.

4. FOREIGN TRADE IS TO RISE BY 21.5 PERCENT, ABOUT HALF OF PLANNED INCREASE IN 1974. MORE CONSERVATIVE GOAL REFLECTS ROMANIAN UNCERTAINTY WITH REGARD TO WORLD MARKET CONDITIONS AND DIFFICULTIES IN OBTAINING FINANCING AND A BALANCED TRADE ACCOUNT, PARTICULARLY WITH THE CONVERTIBLE CURRENCY AREA. GREATER EFFORT IS CALLED FOR IN MATCHING PRODUCTION OF ROMANIAN GOODS TO NEEDS OF WORLD MARKET, BOTH IN TYPE AND QUALITY. HIGHER DEGREE OF TECHNOLOGICAL SELF-SUFFICIENCY ALSO CALLED FOR, WITH RESEARCH AND DEVELOPMENT SECTOR BEING TASKED TO PLAY GREATLY EXPANDED ROLE.

5. SALARIES AND INCOMES ARE TO RISE TO SOMEWHAT FASTER RATE THAN CALLED FOR BY FIVE YEAR PLAN, BUT INCREASES WILL BE OFFSET BY RENT AND PRICE HIKES WE EXPECT TO MATERIALIZE IN COMING YEAR. HOUSING CONSTRUCTION IS TO SPEED UP IN 1975, BUT INTERESTING NOTE IS THAT PLAN CALLS FOR A RELATIVELY SMALLER PROPORTION OF APARTMENTS TO BE BUILT WITH PRIVATE FUNDS, PRESUMABLY REFLECTING THE POPULATION'S UNWILLINGNESS TO COMMIT THEIR SAVINGS IN THIS MANNER. ON CONSUMER FRONT, OUTLOOK IS FOR CONTINUATION OF SPARTAN CONDITIONS, POSSIBLY EXACERBATED BY ALL-OUT DRIVE TO MEET AND EXCEED FIVE-YEAR PLAN GOALS AND MEASURES AIMED AT PREVENTING IMPORT OF WESTERN INFLATION.

6. BUDGET IS BALANCED AT 242.8 BILLION LEI, UP 22.5 PERCENT OVER 1974. MAJORITY OF EXPENDITURES (64.2 PERCENT, OR 155.9 BILLION LEI) WILL GO TO FINANCE THE ECONOMY, WELL UP FROM LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 BUCAR 05832 01 OF 02 241238Z

1974 BUDGETED FIGURE OF 117.9 BILLION. EXPENDITURES FOR SOCIAL/CULTURAL SECTOR WILL RISE ONLY SLIGHTLY, WHILE THE ARTS WILL ACTUALLY RECEIVE LESS THAN IN 1974. GOVERNMENT ADMINISTRATIVE BUDGET IS ALSO REDUCED, WHILE DEFENSE BUDGET IS RAISED FROM 8.6 TO 9.7 BILLION LEI. UNLIKE 1974, BUCHAREST MUNICIPAL BUDGET WILL RECEIVE STATE SUBSIDY, PRESUMABLY NECESSITATED BY CAPITAL'S DRIVE TO COMPLETE FIVE-YEAR PLAN IN FOUR AND HALF YEARS. AS SIGN OF INCREASINGLY CENTRALIZED CONTROL OF INVESTMENT FUNDS, 1975 BUDGET LAW SUSPENDS 1972 LAW ALLOWING REGIONAL ADMINISTRATIVE BODIES DISCRETION IN USE OF INCOME EARNED ABOVE PLANNED GOALS.

7. COMMENT. WHILE BROAD OUTLINE OF PLAN AND BUDGET, WITH NOTED EXCEPTIONS, CONFORM LARGELY TO EXPECTATIONS, ACCOMPANYING SPEECHES AND SOME INDICATORS HINT AT INCREASINGLY INTRACTABLE

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 BUCAR 05832 02 OF 02 241302Z

66

ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 EB-07 FRB-01 INR-05

NSAE-00 RSC-01 TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01

LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-01 CEA-01 AGR-05

/073 W

----- 022961

R 240805Z DEC 74

FM AMEMBASSY BUCHAREST

TO SECSTATE WASHDC 1258

INFO USDOC

AMEMBASSY BELGRADE

AMEMBASSY BERLIN

AMEMBASSY BUDAPEST

AMEMBASSY MOSCOW

AMEMBASSY MUNICH

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY VIENNA

AMEMBASSY WARSAW

LIMITED OFFICIAL USE SECTION 2 OF 2 BUCHAREST 5832

PROBLEMS IN ECONOMY. EXPRESSIONS OF CONFIDENCE THAT FIVE YEAR
PLAN WILL BE MET IN ALL RESPECTS SEEM MORE FORCED THAN YEAR AGO,
AND AMOUNT OF GRUMBLING BY POPULATION ABOUT CONTINUING ECONOMIC
SACRIFICES AND LONG WORK HOURS HAS IF ANYTHING INCREASED. ASIDE
FROM ATMOSPHERICS, HIGHLY CENTRALIZED ROMANIAN ECONOMIC SYSTEM,
IN WHICH DECISIONS TEND TO BE PASSED UP CHAIN OF COMMAND RATHER
THAN SOLVED AT WORKING LEVEL, IS HAVING TROUBLE MAKING TIMELY
DECISIONS. PLAN'S RESERVE FUND -- MONEY FOR PROJECTS NOT YET
APPROVED--HAS GROWN TO 8.56 BILLION LEI, ALMOST THREE TIMES
AS MUCH AS 1974. STATEMENT OF 1973 BUDGET SHOWS SURPLUS OF
7.9 BILLION LEI, ANOTHER INDICATION OF FAUKURE TO MAKE TIMELY
INVESTMENTS. RECENT NEWS ITEM INDICATES A KEY BUCHAREST

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BUCAR 05832 02 OF 02 241302Z

INDUSTRIAL CENTRAL, WHICH PRODUCES LOCOMOTIVES, ROLLING STOCK, LARGE MOTORS AND OTHER EQUIPMENT, HAS CONCLUDED ONLY ABOUT HALF OF CONTRACTS NECESSARY FOR 1975 PRODUCTION. ONE PROPOSED SOLUTION TO THESE PROBLEMS -- INCREASED INTERVENTION BY STATE PLANNING COMMITTEE -- MAY ONLY AGGRAVATE SITUATION, SINCE ECONOMY HAS PASSED POINT WHERE IT CAN BE EFFICIENTLY RUN FROM SINGLE POINT.

8. MORE DETAILED AIRGRAM REPORT FOLLOWS.
BARNES

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC PROGRAMS, BUDGET DATA
Control Number: n/a
Copy: SINGLE
Draft Date: 24 DEC 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BUCHAR05832
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740374-0260
From: BUCHAREST
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741213/aaaaakoy.tel
Line Count: 239
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 28 MAR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <28 MAR 2002 by shawdg>; APPROVED <28 MAY 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ROMANIAN 1975 ECONOMIC PLAN AND BUDGET VIENNA FOR EWTC
TAGS: ECON, EFIN, RO
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005